

Service Date: May 27, 1987

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER of the Montana)	UTILITY DIVISION
Public Service Commission's)	
Investigation of Federal Tax)	DOCKET NO. 86.11.62
Reform Impacts on Public)	
Utility Revenue Requirements.)	ORDER NO. 5236b

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SUPPLEMENTAL PRELIMINARY PROCEDURAL ORDER

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BACKGROUND

The Montana Public Service Commission commenced this proceeding on November 24, 1986, to examine the reasonableness of utility rates in light of the Tax Reform Act of 1986 (TRA). Order No. 5236 required respondents to file by February 1, 1987, sufficient information to demonstrate that current rates for public utility service remain just and reasonable taking into account the Tax Reform Act of 1986. Respondents' filings satisfied the Commission's minimum filing requirements, ARM << 38.5.101 et seq. and << 38.5.2801 et seq., and included operating results for a 12

month period. The order required a test year no earlier than the year beginning January 1, 1985.

After reviewing the Respondents' February 1st filings, Commission staff is aware that no respondent addressed the effectson operating results of Statement on Financial Accounting Standards 87, (hereinafter Statement 87), issued by the Financial Accounting Standards Board (FASB). Statement 87, except for paragraphs 36-38, is effective for fiscal years beginning after December 15, 1986.

As such, the statement is a known and measurable event occurring within the test year of all respondents. The Commission intends to consider the effect of Statement 87 in orders to be issued in this docket. Parties will be receiving data requests to provide the Commission with the necessary information to calculate the impact of Statement 87. In addition, all parties must file briefs addressing the following issues relating to the impact of FASB Statement 87:

I.

1. Does the Commission have the authority to require or deny the application of FASB Statement 87 to ratemaking, regardless of the utility's financial reporting?

2. What is the appropriate ratemaking treatment to reflect pension income, or a significant reduction in pension expense, resulting from an over funded pension plan? What is the appropriate ratemaking treatment to reflect pension expense resulting from an under funded pension plan?

3. What is the appropriate ratemaking treatment in the case of additional liability to be reported for unfunded accumulated

benefit obligations and the resulting charge to an intangible asset and stockholders' equity?

Parties are free to raise and comment on other issues raised by FASB Statement 87 which may affect utility rates.

II.

The parties are advised that prompt responses to data requests issued in this docket are considered essential to the prompt disposition of issues raised in this order.

As stated in Order Nos. 5236 and 5236a, the Commission believes that there are also factual issues unique to each of the sub-dockets in this proceeding. Separate procedural conferences may be held for each sub-docket in which a factual hearing is deemed necessary.

The Commission's determination regarding which sub-dockets will entail separate factual hearings will be made upon resolution of the generic issues in this docket, including the application of FASB Statement 87, and after opportunity for comment by other interested parties.

CONCLUSIONS OF LAW

1. The Commission has authority to supervise, regulate and control public utilities. §69-3-102, MCA.
2. Respondents are public utilities subject to the Commission's jurisdiction. §69-3-101, MCA.
3. The Commission may regulate the mode and manner of all investigations and hearings of public utilities. §69-3-103, MCA.

ORDER

1. Parties shall, by June 10, 1987, submit briefs addressing the issues specifically set forth in Section I of this Order.

2. Parties shall, by June 17, 1987, submit simultaneous answer briefs.

3. The Commission may establish a date for further reply briefs if deemed necessary upon review of opening and answer briefs. Requests for oral arguments must be contained in answer briefs.

4. Requests for modification of this supplemental preliminary procedural order must be submitted by June 1, 1987.

DONE AND DATED this 27th day of May, 1987, by a vote of 5-0.

DOCKET NO. 86.11.62, ORDER NO. 5236b

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BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

CLYDE JARVIS, Chairman

JOHN B. DRISCOLL, Commissioner

TOM MONAHAN, Commissioner

DANNY OBERG, Commissioner

HOWARD L. ELLIS, Commissioner

ATTEST:

Ann Purcell
Acting Secretary

(SEAL)